Supreme Court, U.S.
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No. 98-___

In The

Supreme Court of the United States

October Term, 1998

RICHARD P. KRELL, et al.,

Petitioners,

v.

PRUDENTIAL INSURANCE COMPANY OF AMERICA,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI VOLUME III, PAGES 459 TO 540

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IN RE: PRUDENTIAL INSURANCE COMPANY
AMERICA SALES PRACTICE
LITIGATION AGENT ACTIONS

RICHARD JOHNSON,
Intervenor-Plaintiff in District Court

Richard E. Johnson,
Appellant at No. 97-5217

(D.C. Civ. No. 95-cv-04704

SUR PETITION FOR REHEARING

Present: BECKER, *Chief Judge,*

SLOVITER, STAPLETON, GREENBERG,
SCIRICA, NYGAARD, ALITO, ROTH, LEWIS,
McKEE and RENDELL, *Circuit Judges.*

The petition for rehearing filed by appellants in the above-entitled case having been submitted to the judges who participated in the decision of this Court and to all the other available circuit judges of the circuit in regular active service, and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular service not having voted for rehearing, the petition for rehearing by the panel and the court in banc, is denied.

BY THE COURT,

/s/ Anthony J. Scirica
Circuit Judge

Dated: AUG. 17, 1998

LD/cc: MPM RLA MIW
ABM JJG MHB
BSW FBL 2
LS AZL

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 97-5155, 97-5156, 97-5217 & 97-5312

In Re: Prudential

Present: SCIRICA, ROTH and RENDELL, *Circuit Judges.*

It is ORDERED that the motion for stay of mandate is DENIED because on substantive right of the applicant will be affected by failure to grant the stay of mandate. This is without prejudice to the applicant's right to file a timely petition for writ of certiorari.

/s/ Anthony J. Scirica
Circuit Judge

Dated: Oct. 28, 1998

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 97-5155, 97-5156, 97-5217 & 97-5312

IN RE: PRUDENTIAL INSURANCE COMPANY
AMERICA SALES PRACTICE LITIGATION
AGENT ACTIONS

RICHARD P. KRELL, MDL transfer, N.D. Ohio,
DNJ Civil Action No. 95-6062

v.

PRUDENTIAL INSURANCE COMPANY OF AMERICA

Richard P. Krell, as well as Objectors Elizabeth Bajek, Amanda Bajak, Helen Bartsch, Mark Ciconte, Raymond Dolce, Margaret Dolice, Louise Duggan, Peter Duggan, Charles Duncan, Mary Howe, Mary Krell, William Morris, Diana Racer, Thomas Racer, Gweneth Reidel, The Estate of Carl J. Scalzo, Marie Scalzo, Terry Sligar, Alice Smith, Jerry Smith, and William Walton,
Appellants at Nos. 97-5155/5156/5312

IN RE: PRUDENTIAL INSURANCE COMPANY
AMERICA SALES PRACTICE LITIGATION
AGENT ACTIONS

RICHARD JOHNSON,
Intervenor-Plaintiff in District Court

Richard E. Johnson,
Appellant at No. 97-5217

On Appeal from the United States District Court
for the District of New Jersey
(D.C. Civil Action No. 95-cv-04704)

Present: Scirica, Roth and Rendell, *Circuit Judges.*

JUDGMENT

These causes came on to be heard on the record from the United States District Court for the District of New Jersey and were argued by counsel on January 26, 1998.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court entered March 17, 1997, certifying the proposed class and approving the settlement, be, and the same is hereby affirmed. The judgment regarding attorneys' fees is vacated and the matter is remanded on the issue of attorneys' fees. All of the above in accordance with the opinion of this Court.

ATTEST:
/s/ P. Douglas Sisk
Clerk

Dated: July 23, 1998

CONSTITUTION OF THE UNITED STATES

ARTICLE III.

SECTION 1. The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

SECTION 2. The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority; – to all Cases affecting Ambassadors, other public Ministers and Consuls; – to all Cases of admiralty and maritime Jurisdiction; – to Controversies to which the United States shall be a Party; – to Controversies between two or more States; – between a State and Citizens of another State; – between Citizens of different States; – between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

In all Cases affecting Ambassadors, other public Ministers and Consuls, and those in which a State shall be Party, the Supreme Court shall have original Jurisdiction. In all the other Cases before mentioned, the supreme Court shall have appellate Jurisdiction, both as to Law and Fact, with such Exceptions, and under such Regulations as the Congress shall make.

The Trial of all Crimes, except in Cases of Impeachment, shall be by Jury; and such Trial shall be held in the State where the said Crimes shall have been committed; but when not committed within any State, the Trial shall be at such Place or Places as the Congress may by Law have directed.

SECTION 3. Treason against the United States, shall consist only in levying War against them, or in adhering to their Enemies, giving them Aid and Comfort. No Person shall be convicted of Treason unless on the Testimony of two Witnesses to the same overt Act, or on Confession in open Court.

The Congress shall have Power to declare the Punishment of Treason, but no Attainder of Treason shall work Corruption of Blood, or Forfeiture except during the Life of the Person attainted.

RULES OF CIVIL PROCEDURE

Rule 23. Class Actions

(a) Prerequisites to a Class Action. One or more members of a class may sue or be sued as representative parties on behalf of all only if (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class, and (4) the representative parties will fairly and adequately protect the interests of the class.

(b) Class Actions Maintainable. An action may be maintained as a class action if the prerequisite of subdivision (a) are satisfied, and in addition:

(1) the prosecution of separate actions by or against individual members of the class would create a risk of

(A) inconsistent or varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for the party opposing the class, or

(B) adjudications with respect to individual members of the class which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests; or

(2) the party opposing the class has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole; or

(3) the court finds that the questions of law or fact common to the members of the class predominate over any questions affecting only individual members, and that a class action is superior to other available methods for the fair and efficient adjudication of the controversy. The matters pertinent to the findings include: (A) the interest of members of the class in individually controlling the prosecution or defense of separate actions; (B) the extent and nature of any litigation concerning the controversy

already commenced by or against members of the class; (C) the desirability or undesirability of concentrating the litigation of the claims in the particular forum; (D) the difficulties likely to be encountered in the management of a class action.

(c) Determination by Order Whether Class Action to be Maintained; Notice; Judgment; Actions Conducted Partially as Class Actions.

(1) As soon as practicable after the commencement of an action brought as a class action, the court shall determine by order whether it is to be so maintained. An order under this subdivision may be conditional, and may be altered or amended before the decision on the merits.

(2) In any class action maintained under subdivision (b)(3), the court shall direct to the members of the class the best notice practicable under the circumstances, including individual notice to all members who can be identified through reasonable effort. The notice shall advise each member that (A) the court will exclude the member from the class if the member so requests by a specified date; (B) the judgment, whether favorable or not, will include all members who do not request exclusion; and (C) any member who does not request exclusion may, if the member desires, enter an appearance through counsel.

(3) The judgment in an action maintained as a class action under subdivision (b)(1) or (b)(2), whether or not favorable to the class, shall include and describe those whom the court finds to be members of the class. The judgment

in an action maintained as a class action under subdivision (b)(3), whether or not favorable to the class, shall include and specify or describe those to whom the notice provided in subdivision (c)(2) was directed, and who have not requested exclusion, and whom the court finds to be members of the class.

(4) When appropriate (A) an action may be brought or maintained as a class action with respect to particular issues, or (B) a class may be divided into subclasses and each subclass treated as a class, and the provisions of this rule shall then be construed and applied accordingly.

(d) Orders in Conduct of Actions. In the conduct of actions to which this rule applies, the court may make appropriate orders: (1) determining the course of proceedings or prescribing measures to prevent undue repetition or complication in the presentation of evidence or argument; (2) requiring, for the protection of the members of the class or otherwise for the fair conduct of the action, that notice be given in such manner as the court may direct to some or all of the members of any step in the action, or of the proposed extent of the judgment, or of the opportunity of members to signify whether they consider the representation fair and adequate, to intervene and present claims or defenses, or otherwise to come into the action; (3) imposing conditions on the representative parties or on intervenors; (4) requiring that the pleadings be amended to eliminate therefrom allegations as to representation of absent persons, and that the action proceed accordingly; (5) dealing with similar procedural matters. The orders may be combined with an

order under Rule 16, and may be altered or amended as may be desirable from time to time.

(e) Dismissed or Compromise. A class shall not be dismissed or compromised without the approval of the court, and notice of the proposed dismissal or compromise shall be given to all members of the class in such manner as the court directs.

(As amended Feb. 28, 1966, eff. July 1, 1966; Mar. 2, 1987, eff. Aug. 1, 1987.)

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§ 1367. Supplemental jurisdiction

(a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. Such supplemental jurisdiction shall include claims that involve the joinder or intervention of additional parties.

* * *

IMPORTANT NOTICE TO:

ALL PERSONS WHO PURCHASED CERTAIN LIFE INSURANCE POLICIES FROM PRUDENTIAL FROM JANUARY 1, 1982 THROUGH DECEMBER 31, 1995

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW)
THIS DOCUMENT RELATES TO ALL ACTIONS LISTED ON EXHIBIT A	:	MDL NO. 1061

NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT, SETTLEMENT HEARING AND RIGHT TO APPEAR

THIS IS AN OFFICIAL NOTICE FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY TO INFORM ALL PERSONS WHO PURCHASED CERTAIN LIFE INSURANCE POLICIES FROM PRUDENTIAL FROM JANUARY 1, 1982 THROUGH DECEMBER 31, 1995 OF A PROPOSED SETTLEMENT IN THIS CLASS ACTION LAWSUIT.

YOU SHOULD READ THIS NOTICE CAREFULLY BECAUSE IF YOU ARE A MEMBER OF THE CLASS. IT WILL AFFECT YOUR LEGAL RIGHTS AND WILL BE LEGALLY BINDING UPON YOU IN THE FUTURE, HOWEVER, YOU DO NOT HAVE TO DO ANYTHING AT THIS TIME TO OBTAIN RELIEF UNDER THE PROPOSED SETTLEMENT.

1. PURPOSE OF THE NOTICE

You have been sent this Notice because you may be eligible for certain relief to be provided as part of the proposed settlement of a consolidated class action lawsuit. The lawsuit was brought on behalf of a class of policyholders against The Prudential Insurance Company of America ("Prudential"). The lawsuit alleges a variety of claims relating to the manner in which Prudential sold life insurance policies. The class generally includes all persons who purchased individual permanent (whole life) insurance policies issued by Prudential during the period from January 1, 1982 through December 31, 1995 (the "Class Period").

A proposed settlement has been reached between Prudential and the Plaintiffs in the lawsuit. The Court has conditionally certified the Class for settlement purposes and determined that the settlement was sufficient to justify sending you this Notice. The Court will hold a hearing regarding the fairness, reasonableness and adequacy of the proposed settlement before deciding whether final approval will be granted. Unless you exclude yourself from the class, you will be bound by the terms of the settlement, if final approval is granted. That means you could not pursue your own lawsuit against Prudential for claims covered by this class action.

This Notice contains the following important information:

- a description of those persons who are included in the Class;
- A description of the lawsuit;

- A description of state insurance department and Multi-State Life Insurance Task Force examination of Prudential and the policyholder remediation plan that 43 states and the District of Columbia accepted. The interaction of the Multi-State Task Force remediation plan with the proposed class action settlement is also described;
- A detailed discussion of the relief being made available to Class Members;
- A description of the release of claims which Class Members will give Prudential; and
- An explanation of how you can request to be excluded from the Class, or object to the settlement.

2. SUMMARY OF THE PROPOSED SETTLEMENT RELIEF

If you are a Class Member, the settlement offers you two alternative forms of relief in exchange for resolving all of your claims involving the sale, servicing or operation of your whole life policies (as set forth in the Release and Waiver Section below). (A detailed description of the relief offered under the settlement is contained in Section 6.)

First, you may elect to participate in an Alternative Dispute Resolution Process (the "ADR Process"). The ADR Process is offered at no cost to Class Members and provides a simplified means for Class Members who believe that they may have been misled regarding the sale of their policies to have their claims resolved without having to go to court. The ADR Process provides Class

Members an opportunity to obtain relief without the delays and expense of traditional litigation and without being subject to certain legal defenses, such as statutes of limitation, which Prudential could raise to possibly defeat claims in a court proceeding. The relief awarded in the ADR Process will depend on the type of claim and the available evidence. You may also be eligible to receive a portion of the Additional Remediation Amount (as described below). There is no guarantee, however, that you will receive any relief in the ADR Process, and by electing to file an ADR claim you will not be able to seek Basic Claim Relief. For further explanation see "Description of the Proposed Settlement – Alternative Dispute Resolution Process" below.

Second, as an alternative to the ADR Process, Class Members may obtain Basic Claim Relief, Basic Claim Relief requires no showing by the Class Member of any wrongdoing by Prudential. Depending on the circumstances, the relief can include loans at favorable interest rates to pay premiums and/or the opportunity for you to purchase life insurance policies or annuities with values enhanced at Prudential's expense, or to purchase shares of mutual funds with Prudential contributing additional shares of such funds. Each of these options is described in detail below.

3. THE CLASS AND CHOICES YOU NEED TO MAKE NOW

Judge Alfred M. Wolin of the United States District Court for the District of New Jersey has issued an Order conditionally certifying only for settlement purposes a

class of all persons who own or owned at termination an individual permanent (whole life) insurance policy issued by Prudential or any of its United States life insurance subsidiaries during the Class Period of January 1, 1982 through December 31, 1995 (the "Policy" or "Policies"), except as specifically described below ("Policyholders"), and who do not timely exclude themselves from participating in the settlement ("Class Members" or the "Class").

The Policyholders do not include the following persons or entities (unless such persons or entities are Policyholders by virtue of their ownership interest in other Policies): (i) policyowners who were represented by counsel at the time they executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) policyowners that are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned life insurance and under which *either* (a) there are 50 or more separate insured individuals *or* (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars, or (iii) policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

As you will see from reading this Notice, if you are an eligible Policyholder, you have the following choices *with respect to each Policy issued during the Class Period* in which you have an ownership interest:

- You may remain in the Class and participate in the relief of the proposed settlement. If this is what you choose to do, you need not

take any action at this time. Your interests will be represented without cost to you by Lead Counsel, as defined herein, for the Class, and if you live within one of the states or the District of Columbia which has accepted the Task Force remediation plan, by a Regulatory Oversight Staff composed of state insurance regulators. If the settlement is approved by the Court, you will be contacted again and will be asked which of the available relief, if any, you wish to elect. You should keep in mind that, if you remain in the Class, you will be bound by all orders and judgments entered in this case, including the release and waiver of claims which absolves Prudential of further liability to you in connection with the sale of your Policy. (See Section 8 below).

- If you remain in the Class, you may file with the Court a written objection to any aspect of the proposed settlement. Objections must be received by the Court and counsel for the Plaintiffs and Prudential, no later than December 19, 1996. To do so, you must comply with the requirements described below in Section 10. In addition, you for an attorney acting on your behalf at your expense) may appear before the Court to voice your objection to the extent allowed by the Court. If the Court does not agree with your objection, you nevertheless will be bound by the orders and judgments in this case.

- If you do not wish to remain in the Class, you may exclude yourself by sending a formal, written request for exclusion that complies with the requirements described below

in Section 9. Such request must be sent to the address provided in Section 9 below and postmarked no later than December 19, 1996. If the proposed settlement is approved and you request exclusion, (i) you lose all rights to relief under the Class Action Settlement Program, as defined below, (ii) you may not file any objection to the proposed settlement, and (iii) you will not be bound by any orders or judgments in this case.

Please keep these three choices in mind as you read this Notice. Your decision will be affected by all the information in this Notice, including in particular the information about the release of Class Members' claims in Section 8, and about the interaction with the Multi-State Task Force remediation plan in Section 11. **YOU MAY MAKE A DIFFERENT CHOICE FOR EACH POLICY YOU OWN.**

4. DESCRIPTION OF THE LAWSUITS

The class action proposed to be settled is consolidated from a number of lawsuits, which were filed beginning in February, 1995, and which were centralized by the Judicial Panel on Multi-district Litigation (the "Judicial Panel") in the United States District Court for the District of New Jersey as part of *In re The Prudential Insurance Company of America Sales Practices Litigation*. MDL Docket No. 1061 (the "Centralized Proceeding"). By order dated August 3, 1995, and in several subsequent transfer orders, the Judicial Panel consolidated these lawsuits for pretrial purposes. The Honorable Alfred M. Wolin is presiding over the Centralized Proceeding. The Court has approved

the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. as Lead Counsel to represent the Class, in settlement of this action.

On October 24, 1995, plaintiffs in several of the lawsuits joined together to file a Consolidated Amended Class Action Complaint in the Centralized Proceeding. Prudential subsequently moved to dismiss all of the claims in this complaint. By Order dated May 10, 1996 (as amended June 10, 1996), the Court dismissed only portions of that complaint, and plaintiffs were allowed to proceed with certain of their claims. Defendants' motion to stay the Centralized Proceeding was denied. Lead Counsel conducted formal and informal discovery as further described in "Description of Proposed Settlement – Background to the Settlement." Section 6. On September 20, 1996, plaintiffs in eleven of the lawsuits in the Centralized Proceeding joined in the filing of a Consolidated Second Amended Class Action Complaint (the "Consolidated Complaint") naming Prudential and several of its former officers and directors as defendants.

The Consolidated Complaint purports to be brought on behalf of a nationwide class of persons who purchased individual permanent life insurance policies from Prudential in the United States between the period January 1, 1982 and the present. The plaintiffs in the Consolidated Complaint make allegations, among other things, that Prudential engaged in a common course of conduct through which life insurance was improperly sold through misrepresentations concerning:

(i) the use of an existing policy's cash value or dividend or interest stream to purchase or maintain a new policy or other policy by means of a surrender, withdrawal or loan (sometimes referred to as "twisting" or "churning");

(ii) the number of out-of-pocket cash premium payments required to be paid for a policy and/or the benefits to be realized or paid based on a particular number of cash premium payments (sometimes referred to as "vanishing premiums"); and

(iii) an assertion that the product being sold was solely or predominantly an investment or savings vehicle rather than a life insurance policy.

Prudential has not admitted liability for any of the allegations made in the Consolidated Complaint. Prudential contends that the use of policy cash values or accumulated dividends to finance the purchase of insurance can at times be beneficial to Policyholders and it was the Company's policy at all times to conduct such sales only when appropriate, and when disclosed to the Policyholder. Prudential also takes the position that the Abbreviated Payment Plan, under which dividends are used to pay premiums on a whole life policy, can be beneficial to Policyholders by reducing the number of out-of-pocket cash premiums that have to be paid for life insurance coverage. Prudential also maintains that it never encouraged sales that failed to disclose that the product being offered was life insurance, and that Prudential policies and policy applications all fully disclosed that customers were purchasing life insurance. Prudential

also believes that it has a number of legal defenses, including statute of limitations defenses, which it could assert in litigation to possibly defeat claims by Policyholders. Prudential is concerned, however, that some Policyholders may have been misled in the purchase of their policies and wants to provide Policyholders who were misled with an opportunity to obtain relief.

5. THE MULTI-STATE LIFE INSURANCE TASK FORCE

The proposed settlement reached in this lawsuit expands upon and adds to a remediation plan that Prudential and 43 states and the District of Columbia agreed to in July, 1996 to resolve legitimate Policyholder claims. The background of that remediation plan is as follows.

On April 25, 1995, partially in response to allegations made in several lawsuits, the New Jersey Commissioner of Insurance formed a Multi-State Life Insurance Task Force (the "Task Force") to examine the sales and marketing practices in the life insurance industry. The Task Force began with a market conduct examination of Prudential, the largest life insurer in the United States. Thirty states joined the Task Force. In conducting its examination, the Task Force reviewed and analyzed documents and electronic databases consisting of millions of Prudential records. They also interviewed hundreds of Prudential agents and executives.

On July 9, 1996, the Task Force issued a report setting forth the findings of its market conduct examination. The Task Force found that some Prudential policyholders had

been misled in their life insurance purchases and that Prudential's efforts to prevent such abuses had been inadequate. In connection with the issuance of the Task Force report, the Task Force and Prudential each announced a remediation plan which the Task Force and Prudential agreed provided fair and appropriate relief to Policyholders who may have been harmed by misrepresentations made in the sale of their policies (the "Task Force Plan"). Forty-three states and the District of Columbia executed agreements adopting the Task Force report and directing Prudential to implement the Task Force Plan. The Policyholders in those States who are to be eligible to participate in the Task Force Plan are the same Policyholders who may also be Class Members in the proposed Class Action Settlement.

Prior to implementing the Task Force Plan, Prudential reached a proposed settlement with the Class that includes a remediation plan that expands upon the Task Force Plan and, if approved by the Court and affirmed on appeal, would provide additional significant relief to Policyholders. In order to provide the increased relief to the residents of their jurisdictions and to avoid the possible confusion from multiple mailings of different proposals, it is anticipated that the states that accepted the Task Force Plan will agree to allow Prudential to defer until February 1, 1997, after the scheduled hearing for approval of this class action settlement, the mailing that will mark the implementation of the policyholder remediation program. The interrelation of the Task Force Plan and this Class Action Settlement is described in detail in Section 11.

6. DESCRIPTION OF THE PROPOSED SETTLEMENT

A. Background to the Settlement

The proposed settlement resulted from more than one year of litigation, formal and informal discovery, and an intensive investigation of the relevant facts and law by Lead Counsel and other lawyers for the plaintiffs in the lawsuits combined in the Consolidated Complaint (the "Plaintiffs' Lawyers"). The investigation conducted by Plaintiffs' Lawyers included interviews with present and former policyholders, agents, and Prudential employees, as well as sworn depositions of numerous Prudential executives, senior management and other personnel. Plaintiffs' Lawyers were provided with all documentation, including millions of pieces of electronic data, and other information produced to the Task Force in connection with its examination and used in the development of its report. In addition, Plaintiffs' Lawyers reviewed approximately 800,000 pages of documents, 160 computer diskettes and cartridges, and 45 videotapes and audiotapes concerning a wide variety of matters and business functions at Prudential, Plaintiffs' Lawyers and lawyers for Prudential then entered into extensive arms-length negotiations that resulted in the proposed settlement.

B. Detailed Description of the Settlement Relief

The proposed settlement would implement a policyholder remediation program which provides remedies and procedural safeguards in addition to those in the Task Force Plan (the "Class Action Settlement Program"). See "Interaction Between the Task Force Plan and the

Class Action Settlement Program." Section 11 below. Prudential has pledged to resolve all claims of Policyholders who were misled in the purchase of their policies. Once the proposed settlement is approved by District Court Judge Wolin, Prudential and Lead Counsel for the Class have agreed that many components of the additional relief provided by the Class Action Settlement Program would be provided to Class Members. The additional relief is supplemental to that provided under the Task Force Plan. The Task Force Plan is not subject to the Court's approval. However, the Financial Guarantee, Additional Remediation Amount and Minimum Payment (each as described in Section 6.B.1.f. below) and the Basic Claim Relief Enhancements (as described in Section 11 below) in the Class Action Settlement Program will be made available only if the settlement is upheld by all appellate courts. If you have any questions as to the relief for which you may be eligible, please call 1-800-736-8913 (24 hours a day on weekdays (beginning Monday at 8 a.m.) and Saturdays from 9 a.m. to 3 p.m., your local time).

The forms of relief which will be made available to Class Members under the proposed Class Action Settlement Program are as follows:

1. Alternative Dispute Resolution Process

Any Class Member who believes that he or she was misled regarding the sale of his or her Policy may submit a claim to an alternative dispute resolution process (the "ADR Process"). The ADR Process is a streamlined and no-cost means for Class Members to have their claims

resolved without having to go to court. In addition, in claims pursued through the ADR Process, Prudential will waive its right to raise certain legal defenses, such as statute of limitations defenses, which could be available to Prudential to possibly defeat such claims in contested litigation. The ADR Process also provides the opportunity for a Class Member to obtain individual relief tailored to his or her claim. However, there is no guarantee that this process will result in a determination in the Class Member's favor, and by choosing this process, the Class Member could lose the right to take advantage of an Optional Premium Loan, an Enhanced Value Policy, and Enhanced Value Annuity and/or a Mutual Fund Enhancement (when available) that otherwise may have been available if the Class Member had selected Basic Claim Relief.

To file a claim under the ADR Process, a Class Member initially must submit a claim form, which Prudential will provide by mail, in which the Class Member describes the misrepresentation made or other improper sales practice. The insurance regulators, the Plaintiffs' Lawyers and Prudential have agreed on the forms and procedures to be used, the nature of the evidence necessary and the type of relief that may be awarded.

a. Submission of ADR Claim

Following a Class Member's election to participate in the ADR Process, a claim form will be forwarded. The claim form is designed to obtain information necessary for the evaluation of the claim, such as what the agent told and showed the Policyholder in connection with the sale, and what the Policyholder told the agent about his

or her financial and other needs or objectives. With the Claim Form, the Class Member is requested to submit all documents and materials in the Class Member's possession concerning the claim. It is important that Class Members submit all information that they want to have considered.

b. Assembly of Claim File

Prudential's Claim Evaluation Staff is required to gather all information and documentation from Prudential's files and provided by Class Members concerning a Policy and its sale. The Claim Evaluation Staff will be monitored by Lead Counsel, insurance regulators from various states accepting the remediation program (the "Regulatory Oversight Staff") and independent auditors. This information will include, among other things, sales practices complaints against the agent and disciplinary actions with respect to life insurance sales practices against the agent who sold the Policy. Prudential will also attempt to contact the agent who sold the Policy about the Class Member's claim.

c. Evaluation of Claims

The ADR Process sets forth a detailed procedure, including objective criteria, to evaluate the claim presented by the Policyholder in the claim form, and the information gathered by Prudential to determine whether a Policyholder was misled in the purchase of his or her Policy. In addition to considering what the Policyholder was told by the agent and the documents received by the

Policyholder, such as a policy illustration, other evidence, including sales practices complaints against the agent who sold the policy and, with respect to Financed Insurance claims, the extent to which the agent engaged in financed transactions, will be considered.

d. ADR Claim Review Process

First, Prudential's Claim Evaluation Staff will evaluate and score the claims. This Claim Evaluation Staff will not be comprised of persons who were involved in the sale of insurance.

Second, if the Class Evaluation Staff does not award the *highest* score to a given claim, it will automatically be reviewed by the Independent Claim Evaluation Team ("ICET"). This team will be comprised of persons with *no* affiliation with Prudential. The ICET will not be bound by any determination made by the Claim Evaluation Staff and will follow the guidelines established under the settlement.

Third, if the ICET concludes that the claim should receive a higher score than awarded by the Claim Evaluation Staff, then the Prudential Claim Review Staff will re-evaluate the claim taking into consideration the recommendation of the ICET. The Claimant will receive a decision from the Claim Review Staff indicating the award. This Claim Review Staff will not be comprised of persons who were involved in the sale of insurance and will be monitored by Lead Counsel, the Regulatory Oversight Staff, and independent auditors.

Fourth, if the Claimant is dissatisfied with the award issued by the Claim Review Staff, then the claim, at no cost to the Claimant, will be reviewed by an impartial decision-maker. This reviewer will be a person with no affiliation with Prudential, with expertise in life insurance or insurance claim resolutions, and will be selected by Lead Counsel and the Regulatory Oversight Staff. Such impartial decision-makers are not bound by the relief awarded by the Claim Review Staff; rather, they are instructed to independently review the claim. The Policyholder is afforded the right to use a Representative, who is selected by Lead Counsel and approved by the Regulatory Oversight Staff, to assist the Policyholder during the review by the impartial decision-maker. The decision of the impartial decision-maker will be binding upon the Policyholder and Prudential unless the Claimant Representative, appointed by Lead Counsel to act as an advocate on behalf of all Class Members submitting claims to the ADR Process, determines, at the request of the Policyholder, that the decision operates as a "manifest injustice." in that event, there will be a rehearing.

e. Types of Relief Available in the ADR Process

The type of relief available to Class Members through the ADR Process depends on the nature of the claim and the strength of the evidence. Relief may be available, under certain circumstances, even if the insured has died and death benefits have previously been paid on a Policy for which you are a successor in interest (i.e., executor, heir, etc.). Examples of available relief are as follows:

- Financed Insurance – If evidence shows that you were misled in connection with a Financed Insurance sale (one that generally involves the use of loans, dividends or values of existing Policies to pay premiums on a new policy), your remedies may range from the return of policy values improperly used, to allowing you to cancel your Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. Misrepresentations in connection with financed insurance sales are sometimes referred to as "twisting" or "churning."

- Abbreviated Payment – If evidence shows that you were misled in connection with a sale involving Abbreviated Payment (one that generally involves the use of a policy's dividends or policy values to reduce the number of out-of-pocket premium payments on the same policy), you may not need to make out-of-pocket payments for some or all of the premiums otherwise due. Or, you may be allowed to cancel your Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. You may be entitled to receive this relief even if you have not yet reached the last out-of-pocket premium payment you expected to make, and even if you have not been told that your Policy will require the out-of-pocket payment of premiums for longer than originally expected. These sales are sometimes referred to as "vanishing premium" sales.

- Investment Product – If evidence shows that you were misled about whether you were

purchasing life insurance rather than an investment, savings or retirement product, you may be allowed to cancel your unwanted Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. Or, you may be able to exchange your Policy for an annuity to be purchased with the amount otherwise available for refund.

- Other Claims – If evidence shows other improper life insurance sales practices, you may be remedied through the cancellation of your Policy with a refund of some or all of the premiums you paid, including interest in some cases, or the issuance of a substitute product purchased with the amount otherwise available for refund.

f. Financial Guarantee, Minimum Payment and Additional Remediation Amount

Prudential has also agreed to make certain additional payments to eligible Class Members and to guarantee that its pre-tax cost for remedies will reach minimum levels, but only if the proposed settlement is both approved by Judge Wolin *and* upheld on any appeal, as follows:

- Financial Guarantee – In addition to relief specified above, Prudential also has agreed to guarantee that the pre-tax cost for remedies in the ADR Process for each 110,000 claims receiving remedies will be approximately $260 million (the "Financial Guarantee"). If the actual expense is less than this

amount. Prudential guarantees it will add the remaining amount of money (for up to a maximum number of 330,000 claims remedied) to the Additional Remediation Amount to be distributed to Class Members who receive remedies in the ADR Process, as described below.

- Minimum Payment – Regardless of the number of claims that receive remedies. Prudential also has agreed to pay at least $410 million (the "Minimum Payment"), which is the same amount it would pay if 110,000 claims were remedied ($260 million of Financial Guarantee and $150 million of Additional Remediation Amount).

- Additional Remediation Amount – In addition, Prudential will pay an additional remediation amount based on a sliding scale which will depend on the number of claims remedied in the ADR Process (the "Additional Remediation Amount"), as follows:

    - If 110,000 claims are remedied, the Additional Remediation Amount will be $150 million.

    - If 220,000 claims are remedied, the Additional Remediation Amount will be $250 million.

    - If 330,000 claims are remedied, the Additional Remediation Amount will be $300 million.

    - If 440,000 claims are remedied, the Additional Remediation Amount will be $250 million.

- If 550,000 claims are remedied, the Additional Remediation Amount will be $150 million.
- If 660,000 claims or more are remedied, the Additional Remediation Amount will be $50 million.

The exact amount of the Additional Remediation Amount will be determined at the end of the ADR Process and is dependent on the total number of claims that are remedied. If the settlement is upheld on appeal, the Court will determine how the Additional Remediation Amount will be allocated and distributed after the completion of the ADR Process.

2. Basic Claim Relief

All Class Members will be eligible for Basic Claim Relief. To obtain Basic Claim Relief, a Class Member does not have to show that he or she was misled in any way or that any improper sales practices occurred. However, the option of selecting Basic Claim Relief would not be available to Class Members who choose to participate in the ADR Process, and whose claims receive no award of relief.

There are three forms of Basic Claim Relief which will be available to Class Members. You will be informed as to which options you are eligible to select when the remediation program is implemented. The types of Basic Claim Relief which Prudential will offer are as follows:

(a) *Optional Premium Loans.* Class Members who have Policies in force that were issued during the Class Period have the right to

obtain "Optional Premium Loans." which are loans made to you at a reduced interest rate, subject to certain conditions. These loans will be available to eligible Class Members solely to pay all or part of a specified number of annual premiums on the Class Member's Policy. (the specified number of annual premiums, anywhere from two to six, will depend on when the Policy was issued.) Optional Premium Loans will remain available to an eligible Class Member on his or her annual policy anniversary through December 31, 2010. The purpose of an Optional Premium Loan is to assist an eligible Class Member in making additional out-of-pocket premium payments.

Each Optional Premium Loan will be repaid by the policyholder over a period of five years commencing on the policy anniversary following the date on which the Optional Premium Loan is made. Each payment will consist of accrued interest due plus one-fifth of the original amount of the Optional Premium Loan outstanding.

Optional Premium Loans are not "policy loans" as described in your Policy. They must nevertheless be secured by an assignment of the Policy's cash value and the death benefit as collateral to cover the amount of the Optional Premium Loans (including the Optional Premium Loan being requested), existing policy loans and other instruments outstanding, plus one-year's interest on all such obligations (collectively, the "Outstanding Obligations").

The interest rate (reset quarterly) on the Optional Premium Loans offered to Class Members shall be representative of Prudential's unsecured short-term cost of borrowing. This rate may vary up or down depending on when the loan is taken and may also vary during the time the loan is outstanding.

In order for a Class Member to be eligible for the Optional Premium Loan, the Class Member's Policy must be in force and, following the Optional Premium Loan transaction, have a cash value sufficient to secure the full amount of all Outstanding Obligations.

(b) *Enhanced Value Policies.* Class Members with Policies in force that are heavily loaned, or who owned Policies that have lapsed or terminated without death benefits being paid, will have the right to apply to purchase Enhanced Value Policies, subject to certain conditions summarized below.

An Enhanced Value Policy will be a designated whole life insurance policy within Prudential's portfolio of individual permanent life insurance policies available on the date of the award. The insured and the Policyholder(s) will be the same as on the Policy with respect to which the election is made. After the Class Member has paid the first year's annual premium. Prudential will "enhance" the policy by buying additional insurance coverage for the Class

Member over the next five years, with Prudential paying an amount equal to 100 percent of the Class Member's first-year premium over that five-year period. In addition, in the event the proposed settlement is approved by the Court and upheld on appeal, Prudential will further enhance the policy by buying additional insurance coverage for the Class Member in the seventh year. Prudential will pay an additional amount in the seventh year equal to 15% of the Class Member's first year premium. These enhancements will increase the death benefit protection of the policy at no additional cost to the Class Member.

The insured will have to provide satisfactory evidence of insurability and be age 85 or less. However, the underwriting will be less rigorous than typically applies to the purchase of a new policy. The Class Member must make the initial payment for the Enhanced Value Policy with money from a source other than a surrender of, or a policy loan against, or withdrawal of the values of, any existing life insurance or annuity product issued by Prudential.

(c) *Enhanced Value Annuities.* Every Class Member will be eligible to apply to purchase an "Enhanced Value Annuity."

An Enhanced Value Annuity is a non-qualified deferred annuity which Prudential, as part of this settlement, will "enhance" by crediting payments credited to the annuity at the end of the first and second contract years. Specifically, at the end of the first year after the Class Member has made his/

her initial payment. Prudential will pay into the annuity an additional 2 percent of the Class Member's initial payment if the initial payment was under $25,000, or an additional 3 percent of the Class Member's initial payment if the initial payment was between $25,000 and $50,000. In either case, at the end of the second year. Prudential will also pay into the annuity an additional 2 percent of the initial payment. In addition, in the event that the proposed settlement is approved by the Court and upheld on appeal. Prudential will further enhance the annuity by paying into the annuity an additional 1 percent of the initial premium at the end of the third year. This enhancement will increase the value of this annuity at no additional cost to the Class Member.

Prudential will also waive the surrender charges with respect to the initial payment and the enhancements made by Prudential beginning on the later of (a) the date that the Class Member reaches the age of 59 1/2 or (b) the date on which the Enhanced Value Annuity has been in force for four years. The Enhanced Value Annuity is subject to a $1,000 minimum payment and a maximum payment based on the face amount of the Class Member's original Policy as provided below:

Class Member's Policy Face Amount	Maximum Amount of Initial Payment Subject to Enhancement
Less Than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1,000,000 or over	$50,000

You may not pay an aggregate amount for any Enhanced Value Annuity and/or Mutual Fund Enhancement in excess of the applicable Maximum Amount of Initial Payment Subject to Enhancement set forth above. A Class Member must purchase an Enhanced Value Annuity with money that is not taken from the proceeds of the surrender of or withdrawal from, or a policy loan against, the values of any existing life insurance or annuity product issued by Prudential. No tax-qualified money will be accepted as payment for an Enhanced Value Annuity. The Enhanced Value Annuity will not be issued on a tax-qualified basis.

You must be age 85 or less to apply for an Enhanced Value Annuity. The owner and annuitant for the Enhanced Value Annuity will be the owner of the Policy with respect to which the election is made, provided that if the owner of the Policy with respect to which the election is made is a corporation, trust, or other entity, then the owner and annuitant may be the insured on the Policy with respect to which the election is made.

(d) *Mutual Fund Enhancement.* Every Class Member will be eligible to purchase shares

in certain designated mutual funds with Prudential contributing additional fund shares.

Although you will be able to select this form of Basic Claim Relief when you submit your Election form, this Mutual Fund Enhancement will only be available in the event the Class action settlement is approved by the Court and upheld on appeal. If the Class action settlement is rejected by the Court or not upheld on appeal, you will be notified that the Mutual Fund Enhancement will not be made available to you. In that case, if the Mutual Fund Enhancement was your only Basic Claim Relief selection, you may make another selection.

For each Class Member's purchase of shares in certain designated mutual funds currently distributed by Prudential Securities, Inc., Prudential will "enhance" the amount of the initial purchase with a financial contribution to purchase additional shares equal to 4% of the amount of such initial purchase. The mutual fund shares will be offered subject to a contingent deferred sales charge, as described in the relevant prospectus, that generally decreases to zero over a period of approximately six years. Your initial purchase of mutual fund shares must be no less than $1,000, or such other amount as set forth in the applicable prospectus, and the amount entitled to receive the enhancement described above is subject to the following limits:

Class Member's Policy Face Amount	Maximum Policyholder Initial Purchase Amount Subject to Enhancement
Less Than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1,000,000 or over	$50,000

You may not pay an aggregate amount for any Mutual Fund Enhancement and/or Enhanced Value Annuity in excess of the applicable Maximum Policyholder Initial Purchase Amount Subject to Enhancement set forth above.

In addition to selecting either an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement, a Class Member, if eligible, may also choose to obtain an Optional Premium Loan.

7. INCOME TAX CONSEQUENCES

Your receipt of the relief described above in either the ADR Process or in Basic Claim Relief could have tax consequences for you. Those tax consequences may vary, depending upon your individual circumstances. **You should consult your own tax advisor to determine any Federal, state, local or foreign tax consequences of the receipt of relief in your particular circumstances.**

The following applies only to the selection of an Optional Premium Loan if you elect Basic Claim Relief. While unlikely, there is some risk that the Optional Premium Loan could be considered a below market rate loan

for Federal income tax purposes. In such event, the difference between the Optional Premium Loan interest rate and a specified Federal short-term interest rate generally based on the average market yield of United States Treasury obligations with maturities of three years or less, if any, would reduce your cost basis for tax purposes in your Policy, or result in taxable income in the event there is no remaining cost basis in your Policy. Your cost basis in your Policy is important because it determines what portion of distributions under the Policy may be taxable. Moreover, as with any policy loan or pledge of your Policy, an Optional Premium Loan may be wholly or partially taxable to you if your Policy is a "Modified Endowment Contract" (as defined by the Internal Revenue Code) at the time you receive an Optional Premium Loan or, in some circumstances, if your Policy becomes a "Modified Endowment Contract" following your receipt of an Optional Premium Loan. You may also be subject to a 10% penalty tax on the taxable amount. You are particularly urged to consult your tax advisor if your Policy is a "Modified Endowment Contract" at the time you request any Optional Premium Loan, or if you consider making any material changes to your Policy after you receive an Optional Premium Loan.

8. RELEASE OF CLASS MEMBERS' CLAIMS

a. Class Release and Waiver

If the proposed settlement is approved by the Court, and affirmed on appeal, the lawsuit will be dismissed with prejudice, and Prudential will be released from all claims that have been or could have been

asserted by Class Members. The release encompasses any matter relating to the marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, administration, servicing, or replacement, by means of surrender, partial surrender, loans respecting withdrawal and/or terminations of Policies or any insurance policy or annuity sold in connection with or relating in any way directly or indirectly to the sale or solicitation of, the Policies. The release is intended to be very broad. The release is a critical element of the proposed settlement, and accordingly, the entire text has been included in Appendix A to this Notice (except for certain defined terms that appear elsewhere in this Notice). Because it will affect your rights if you remain in the Class, you should carefully read this paragraph and the entire release.

b. Release Upon Election of ADR Process or Basic Claim Relief

In addition, if you elect to participate in the ADR Process or to receive Basic Claim Relief, you will be required to sign a form of this release which will prevent you from bringing any lawsuit or participating in any other class action relating to the sale, servicing or operation of your Policy which may be brought against Prudential if the proposed settlement is not approved on appeal or otherwise.

However, if you elect to participate in the ADR Process, within 60 days of your receipt from Prudential of notice that the settlement has either not been approved by the Court or has been rejected on appeal,

you will be allowed to rescind your release and the relief you received under the remediation program and thereby return, to the extent practicable, to the position you were in before entering the program. If the settlement is approved by the Court, and affirmed on appeal, Prudential will be released from all claims, regardless of whether you elect to seek relief in the ADR Process.

9. EXCLUSION FROM THE CLASS

If you wish to exclude yourself from the Class with respect to one or more Policies, you must comply with the requirements described in this Section. You must send a formal, written request for exclusion as to each such Policy to the following address:

Prudential Class Action Settlement
P.O. Box 9354
Boston, Massachusetts 02205-9354

Your written request for exclusion must be *postmarked by no later than* December 19, 1996, otherwise it will be untimely and your request for exclusion will be waived and you will be bound by the settlement and all orders and judgments in the actions.

Your letter must (i) identify by policy number the Policy or Policies for which you are requesting exclusion (you can find your policy number on the materials enclosed with this Notice), (ii) state that you want to be excluded from the Class with respect to each such Policy or Policies, and (iii) include your name, your address, your telephone number, and name and caption of this lawsuit, and your signature. If you have an ownership interest in more than one Policy, you may choose to

remain a Class Member with respect to some Policies, but to exclude yourself from the Class with respect to other Policies.

If two or more individuals or entities share (or shared at the time of termination) ownership in one Policy, all such individuals or entities must exclude themselves in order for any to be excluded with respect to the Policy. Please be sure to write "exclusion notice" on the lower left-hand corner of the front of the envelope.

If you exclude yourself from the Class, you will not be permitted to object to or participate in the proposed settlement or to receive any relief under the Class Action Settlement Program if it is approved by the Court, but you may, under certain circumstances, be entitled to receive relief under the Task Force Plan. See "Interaction Between the Task Force Plan and the Class Action Settlement Program" below.

10. HEARING ON PROPOSED SETTLEMENT, RIGHT TO OBJECT TO PROPOSED SETTLEMENT AND RIGHT TO APPEAR

The Court will hold a hearing to consider whether to approve the proposed settlement and to determine the amount of attorneys' fees and expenses to award to Plaintiffs' counsel. **The hearing will be held on January 21, 1997, at 10:00 a.m., in the Courtroom of Judge Alfred M. Wolin, located at the Martin Luther King, Jr. United States Courthouse, 50 Walnut Street, Newark, New Jersey.**

If you choose to remain in the Class with respect to one or more Policies, you may file with the Court a written objection to any aspect of the proposed settlement.

Any Policyholder who has not filed a written request for exclusion for all of his or her Policies, and who complies with the procedures described in this Section, may object to the fairness, reasonableness or adequacy of the proposed settlement or the award of attorneys' fees. Policyholders may do so either on their own or through an attorney hired at their own expense. If you hire an attorney to represent you at your own expense, your attorney must (i) file a Notice of Appearance with the Clerk of the Court and (ii) send a copy to counsel for Plaintiffs and Prudential at the addresses provided below.

If you wish to submit written objections to the proposed settlement, you or your attorney must prepare and submit at least one document:

- A statement of the objections, as well as the specific reasons, if any for each objection, including any legal support you wish to bring to the Court's attention and any evidence you wish to introduce in support of your objections.

Policyholders may obtain access, at their own expense, to the deposition transcripts and attached exhibits as well as to all other documents generated in this lawsuit by entering into the Stipulation of Confidentiality governing these documents. These documents will be made available at the offices of Milberg Weiss Bershad Hynes & Lerach LLP at One Pennsylvania Plaza, New York, New York 10119-0165 and at 600 West Broadway, 1800 One

America Plaza, San Diego, California 92101-5050, and at the offices of Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C., 200 North LaSalle Street, Suite 2100, Chicago, Illinois 60601.

YOU MUST FILE ANY PAPERS AND EVIDENCE WISH THE CLERK OF THE COURT *AND* SERVE THOSE PAPERS AND EVIDENCE ON THE ATTORNEYS FOR PLAINTIFFS AND PRUDENTIAL SO THAT THEY ACTUALLY RECEIVE SUCH PAPERS AND EVIDENCE NO LATER THAN DECEMBER 19, 1996.

In addition, any Policyholder who submits written objections, as described above, may appear at the hearing, either in person or through personal counsel. Policyholders making an appearance will be heard to the extent allowed by the Court. The Court may adjourn the hearing on the proposed settlement to a new date and time without further notice to you or other Policyholders. Therefore, you (or your personal counsel) should check with the Clerk of the Court before appearing at the hearing.

If you intend to request permission to address the Court at the hearing, you must prepare and submit a notice from you (or your counsel) requesting permission to address the Court at the hearing.

IF YOU WISH TO RECEIVE COPIES OF THE PAPERS IN SUPPORT OF THE SETTLEMENT, YOU SHOULD FILE A NOTICE OF APPEARANCE ON OR BEFORE NOVEMBER 20, 1996, AND REQUEST THAT YOU BE PROVIDED WITH PAPERS IN SUPPORT OF THE SETTLEMENT.

Objections received after December 19, 1996 will not be considered by the Court. You will remain a member of the Class and will be bound by the orders and judgments in this action regardless of how the Court rules on your objections.

The papers to be filed with the Clerk of the Court (copies of which must also be served on counsel for Plaintiffs and Prudential, as set forth below) must be sent to the following addresses and must be received by the Court and all three of the undersigned Counsel by December 19, 1996:

(1) Clerk of the Court
United States District Court
District of New Jersey
P.O. Box 854
Newark, New Jersey 07101-0854

(2) Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
One Pennsylvania Plaza
New York, New York 10119-0165

and

(3) Michael B. Hyman, Esq.
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.
200 North LaSalle Street
Suite 2100
Chicago, Illinois 60601

Co-Lead Counsel for Plaintiffs and the Class

Answers to Questions You May Have About the Class Action Settlement

Please review the following Questions and Answers for additional information concerning the terms, restrictions and operation of, and your eligibility for, the different options under this program. The Claimant Support Team is available at 800-736-8913 (for Telecommunication Device for the Deaf, call 800-782-1863) to answer any questions you may have about this program. Do not call the Clerk of the Court, or the Court, where the Class Action is pending.

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General Facts About the Class Action Settlement

1. Why did I receive this Notice in the mail?

Our records indicate that you currently own or have owned in the past a permanent (whole life) insurance policy or policies issued from January 1, 1982 through December 31, 1995 by Prudential. Policyholders who bought these policies may be eligible to receive relief under the terms of a settlement of a class action lawsuit and under agreements reached with 43 states and the District of Columbia.

2. What is a class action lawsuit?

A class action lawsuit is a suit brought by one or more individuals who are representative of all others, known as members of the class, who may have similar claims.

3. Does this mean that I have been sued?

No. you are not being sued. Because you own or owned a permanent (whole life) policy issued during the period January 1, 1982 through December 31, 1995, you are a member of the class which is bringing the lawsuit against Prudential (the "Class") in the United States District Court for the District of New Jersey (the "Court").

4. What claims were made against Prudential in this lawsuit?

The lawsuit makes several claims about how certain whole life insurance policies were sold. Generally, the lawsuit alleges misrepresentations in the sale of such life insurance policies concerning, among other things:

(i) the use of an existing policy's cash value or divident or interest stream to pay for

any other policy (sometimes referred to when misrepresented as "twisting" or "churning");

(ii) in an abbreviated payment plan sale, the number of out-of-pocket cash premium payments required to be paid for a new policy (sometimes referred to as "vanishing premium");

(iii) the benefits that will be available upon payment of a specified number of cash premium payments; and

(iv) that the product being sold was solely an investment or savings vehicle rather than a life insurance policy.

5. Why is this lawsuit being settled?

The parties involved – the plaintiffs and Prudential – are settling this lawsuit because they believe that the relief provided under the terms of the settlement is in the best interest of Prudential's policyholders.

6. What relief is available under the settlement?

The settlement offers to eligible policyholders either (a) an Alternative Dispute Resolution ("ADR") Process or (b) Basic Claim Relief. The ADR Process allows policyholders who believe the available evidence will show they were misled about the sale or operation of their policies to pursue a claim for relief by submitting their evidence to an impartial decision-maker who will evaluate the claim based upon objective standards, all without cost to the policyholder. Alternatively, Basic Claim Relief, for eligible policyholders, consists of loans at reduced interest rates to pay premiums ("Optional Premium Loans"),

Enhanced Value Policies, Enhanced Value Annuity contracts and Mutual Fund Enhancement (when available), without requiring policyholders to claim or show they were misled about the sale or operation of their policies. The ADR Process and each of these Basic Claim Relief options is described in detail in these Questions and Answers, as well as in the Summary of Relief Available Under the Proposed Settlement.

7. Am I a policyholder eligible for relief under the settlement?

You are eligible for relief under the settlement provided that you have, or had at the time of your policy's termination, an ownership interest in a Prudential individual whole life insurance policy issued in the United States from January 1, 1982 through December 31, 1995. However, the following policyholders will not be eligible:

(a) Those who previously made complaints to Prudential and signed a release while represented by an attorney when their claims were settled;

(b) Those who exclude themselves from the Class pursuant to Section 9 of the Class Notice;

(c) Those corporations, banks, trusts or non-natural entities that purchased multiple policies as part of corporate or trust-owned life insurance arrangements and under which either (i) there are 50 or more separate insured individuals, or (ii) the aggregate premiums paid in the eight years prior to the close of 1996, exceed $1 million; and

(d) Those who were issued policies in 1995 by Prudential Select Life Insurance Company of America.

8. Has the Court approved the class action settlement?

No. The class action settlement will be the subject of a Court hearing tentatively scheduled for January 21, 1997 to determine whether it is fair and reasonable and should be approved.

9. What other investigations were conducted regarding Prudential's life insurance sales practices?

In April 1995, in part in response to allegations made in the class action lawsuits, a Multi-State Life Insurance Task Force (the "Task Force"), composed of insurance regulators from across the county, was formed to conduct a broad review of past and current sales practices in the life insurance industry, including those of Prudential.

In July, 1996, the Task Force issued a report of its examination of Prudential (the "Task Force Report"). The Task Force Report concluded, in part, that some Prudential life insurance sales had been made using improper sales practices. Particularly highlighted were possible misleading sales involving the use of funds from an older policy to pay premiums on a new policy, or possible misstatements concerning the number of years premiums would be due or would have to be paid "out of pocket" on a new policy.

10. What was the result of the Task Force examination?

Along with the Task Force Report, Prudential and the Task Force agreed that Prudential would offer a remediation plan to provide relief for all Prudential policyholders with legitimate claims about their life insurance purchases (the "Task Force Plan"). The Task Force Plan established the foundation for the remediation plan agreed to by the plaintiffs and Prudential in the settlement of this class-action lawsuit. The lawyers representing the Class and Prudential then agreed to provide, among other modifications to the Task Force Plan, additional provisions governing the scoring of claims and additional remedies for policyholders under certain circumstances, as part of the class-action settlement. In order to provide the increased relief to the residents of their states and to avoid any possible confusion from multiple mailings of different programs, it is anticipated that the states that accepted the Task Force Plan will agree to allow Prudential to wait until February 1, 1997 – after the scheduled Court hearing on the settlement – to start to implement a remediation plan. If the Court rejects or has not approved the settlement by February 1, 1997, Prudential will begin to implement the Task Force Plan in those states that have accepted it, which includes some but not all of the relief of the class action settlement. See Answer No. 12.

11. Will the state insurance departments play a role in the settlement?

The Departments of Insurance of 43 states and the District of Columbia that accepted the Task Force Plan will continue their involvement in the remediation program, even if it is part of the class action settlement, through

representatives who will monitor and provide oversight to the ADR Process as members of a Regulatory Oversight Staff.

12. When can I obtain the relief from the settlement?

Prudential and the plaintiffs have agreed to make most of the provisions of the settlement available to Policyholders as soon as the settlement receives Court approval, even if there is an appeal. However, certain additional remediation amounts and various financial guarantees and minimum payment obligations will only be available as part of the ADR Process if and when the settlement has been finally approved on appeal. For example, Prudential guarantees as part of the class action settlement that it will spend at least $410 million on the remedies to be provided in the ADR Process. The Mutual Fund Enhancement and certain additional contributions to the Enhanced Value Policy and the Enhanced Value Annuity will also not be available until appellate approval.

If the Court has not ruled on the settlement by February 1, 1997, Prudential has agreed with the states to start to implement the Task Force Plan in those states that have accepted the Plan. This plan will include the additional provisions governing claims scoring and remedies from the class action settlement. But (absent subsequent Court approval), the Plan will not include the provisions concerning the monitoring role in the remediation process of the lawyers representing the Class and the claimant representative, the Basic Claim Relief enhancements (described in preceding paragraph), or the additional remediation amounts, financial guarantees or the minimum payment obligation contained in the Class action

settlement. This additional relief and these procedural safeguards depend on Court approval followed by appellate approval.

13. If the Court rejects the class action settlement at any time, may I still obtain the relief provided in the settlement?

If the Court rejects the settlement, but the department of insurance in the state or district where you reside has accepted the Task Force Plan (described in Answer No. 10), you will be able to obtain the benefits of the revised Task Force Plan described in the previous Answer No. 12, but you will not obtain the benefit of the monitoring and advocacy by lawyers for the Class and the claimant representative, and the additional remediation amounts, financial guarantees, the minimum payment obligation and the Basic Claim Relief enhancements (described in Answer No. 12) in the class action settlement.

14. If I have more than one policy, am I required to select the same type of relief for each policy?

No. If you have more than one policy, you are not required to elect the same type of relief for each policy or to accept relief on one or all of the policies you own.

15. What is the difference between the ADR Process and Basic Claim Relief?

The ADR Process requires that you submit a claim that you were misled in connection with the sale or operation of your policy. In addition, it may provide greater relief than is provided by Basic Claim Relief if the available evidence supports the claim. The scope of the relief available through the ADR Process is more fully described in

Answer No. 29. If the available evidence does not establish that you were misled, there is no guarantee that you will receive any relief in the ADR Process. On the other hand, if you wish to receive Basic Claim Relief, i.e., an Optional Premium Loan, an Enhanced Value Policy, an Enhanced Value Annuity or Mutual Fund Enhancement (when available), you do not have to claim or show any evidence of wrongdoing.

16. If I am the insured or the beneficiary of a policy, but not the owner, am I eligible for the settlement relief?

No. Only the owner(s) of a policy is eligible for relief under the program. However, if you have, or had at the time of your policy's termination, an ownership interest in a policy, you may be eligible for relief, whether or not you are also the insured or beneficiary of the policy.

17. If an eligible policyholder is deceased, can his or her legal representatives still participate in the settlement?

Yes. If a policyholder is eligible (as described in Answer Nos. 10 and 16) but is deceased, a claim can be made in the ADR Process by the person or entity currently representing the legal interest of the deceased policyholder. Depending on the circumstances, this may be the deceased policyholder's executor or authorized personal representative in connection with an estate or other administration of the deceased policyholder's property.

18. Am I required to remain a member of the Class and participate in the settlement?

No. You may exclude yourself from the Class if you do not wish to be a member of the Class and do not wish to receive the relief provided by the settlement. If you want to exclude yourself from the Class for one or all of your policies, you must follow the procedures described in Section 9 of the Class Notice. The procedures require you to submit your exclusion request to the Court in writing. It must be postmarked by December 19, 1996. Please be sure to follow all the procedures carefully or your decision to exclude yourself will not be effective.

19. If I choose to participate in the settlement, will I have to pay attorneys' fees to the lawyers representing the Class?

No. As part of the settlement. Prudential has agreed to pay the attorneys' fees to the lawyers representing the Class.

20. Will any fees and costs awarded to the attorneys representing the Class reduce, diminish or affect the remedies provided to policyholders under the settlement?

No. Any attorneys' fees and costs awarded by the Court to the attorneys representing the Class will be paid by Prudential, and will *not* reduce, diminish or affect any remedies provided to such persons under the settlement.

21. If I choose to be excluded from the Class may I still participate in the settlement?

No. If you choose to be excluded from the Class you cannot participate in the settlement described in these

materials. However, in the event the class action settlement is rejected by the Court and you reside in a state in which the Task Force Plan has been accepted by your state's department of insurance, you may be eligible to participate in the Task Force Plan.

22. Will I still have the right to sue if I participate in the settlement?

No. Unless you exclude yourself from the Class pursuant to Section 9 of the Class Notice, you will be automatically prevented from bringing your own lawsuit or other action against Prudential based upon the sale, servicing or operation of your policy. If you want to participate in the settlement, you should not exclude yourself from the Class. If you want to sue Prudential separately, you should exclude yourself from the Class.

23. Do I have to choose now between participating in the ADR Process *or* selecting Basic Claim Relief?

No. If you do not exclude yourself from the Class (see Answer No. 18), you will receive an election form if and when the Court approves the settlement or pursuant to the state Task Force Plan in those states that have accepted the Plan. The election form will provide you a choice of either participating in the ADR Process *or* electing Basic Claim Relief. Even if you remain a member of the Class you may decide upon receipt of the election form not to elect either form of relief (ADR Process or Basic Claim Relief); however, if the Court approves the settlement you will have given up your right to bring a lawsuit or other action against Prudential as described in

Answer No. 22. Any choice which you make will be up to you.

24. Will there be independent reviews of the remediation program and policyholder claims?

The entire remediation program will be monitored by lawyers representing the Class, by state insurance regulators and by independent auditors. Any policyholder who files a claim in the ADR Process and is dissatisfied with the outcome is entitled to a review by an independent decision-maker selected and approved by state insurance regulators and lawyers representing the Class, and not affiliated in any way with Prudential. A Policyholder Representative, from a group of qualified persons approved by state insurance regulators and the attorneys representing the Class, will be available to represent the claimant before the independent decision maker. In addition, if the Court approves the settlement, the lawyers representing the Class will appoint an individual, experienced in commercial dispute resolution or the life insurance industry, to monitor the ADR Process on behalf of policyholders submitting claims (the "Claimant Representative").

25. Will there be tax consequences if I participate in the settlement?

There may be tax consequences from your participation in the settlement. They will depend on your individual circumstances. Prudential cannot provide you with tax advice about any personal tax issues that participation in this program may raise for you. You should consult with

your tax advisor as to any tax concerns that you may have.

26. Who can I call if I have questions about the settlement?

A Claimant Support Team, independent of Prudential and approved by state insurance regulators and lawyers representing the Class, is available to assist you in understanding the program and may be contacted at 800-736-8913 (for Telecommunication Device for the Deaf, call 800-782-1863).

Alternative Dispute Resolution Process

27. What is the Alternative Dispute Resolution Process?

The ADR Process offers an opportunity for policyholders who believe they were misled in connection with the sale, servicing or operation of their policies to pursue and resolve their claims without the costs, difficulties and delays of traditional litigation.

28. What is the basis for relief under the ADR Process?

The strength of the evidence you submit with your claim, records of the company and the specifics of your claim will determine the relief offered to you under the ADR Process. The determination will be made pursuant to the remediation program established under the terms of the settlement. If the evidence is insufficient to establish your claim, you may receive an offer of Basic Claim Relief or no relief at all.

29. What is the range of relief available under the ADR Process if the evidence supports my claim?

Examples of available relief are as follows:

- Financed Insurance Claims – If the evidence shows that you were misled in connection with a Financed Insurance sale (one that generally involves the use of loans, dividends or values of existing policies to pay premiums on a new policy), your remedies may range from the return of policy values improperly used, to the cancellation of the new policy and receipt of a refund of some or all of the premiums you paid, including some amount of interest. Misrepresentations in connection with a Financed Insurance sale are sometimes referred to as "twisting" or "churning".

- Abbreviated Payment Claims – If the evidence shows that you were misled in connection with a sale involving Abbreviated Payment (one that generally involves the use of a policy's dividends or policy values to pay premiums on the same policy), your remedy may include not making out-of-pocket payments for some or all of the premiums you paid, or you may be allowed to cancel your policy and receive a refund of some or all of the premiums you paid, including some amount of interest. These sales are sometimes referred to as "vanishing premium" sales.

- Investment Product Claims – If the evidence shows you were misled about whether the sale was of a life insurance policy, rather than an investment, savings or retirement

product, and you did not know you were purchasing life insurance, you may be allowed to cancel your unwanted policy and receive a refund of some or all of the premiums you paid, including some amount of interest. Or, you may be able to exchange your policy for an annuity to be purchased with the amount otherwise available for refund.

- Other Claims – Claims in which the evidence shows other improper sales may be remedied through the cancellation of your policy with a refund of some or all of the premiums you paid, including some amount of interest, or the issuance of a substitute product purchased with the amount otherwise available for refund.

30. What evidence can I provide to support my claim?

You will have the opportunity to answer questions and provide your own statement about the sale or operation of your policy on the claim form Prudential will send you. You should submit copies of any documents or records you have supporting your claim. Your answers and statements on the claim form are "evidence" which will be considered in evaluating your claim, regardless of whether you have any documents or records to submit. You should retain the originals of all documents submitted. It is very important that you submit copies of all documents you think should be considered in connection with your claim. You should be as thorough and complete as possible.

31. When do I have to file my claim?

If you do not elect to be excluded from the settlement, and if the Court has approved the settlement, you will receive an election form asking you to select the ADR Process or the Basic Claim Relief options available to you. If you select the ADR Process, you will be sent a claim form, approved by the Court, which will contain specific instructions. The information accompanying the claim form will describe how to contact the "Claimant Support Team" for assistance in completing the claim form.

If the settlement is rejected by the Court or is not approved by February 1, 1997, and you reside in a state in which the department of insurance has accepted the Task Force Plan, you will receive an election form and claim form for the Task Force Plan (if you select the ADR Process pursuant to the Task Force Plan) (See Answer No. 12).

32. How will claims submitted to the ADR Process be decided?

You will submit your claim to Prudential, which will investigate the claim and review the materials you submit, plus relevant information from the company's records, including information regarding your policy, and information from the agent who sold you the policy. The number of other sales-related complaints against your agent may also be considered in evaluating your claim. A determination will be made based solely on the terms and requirements of the settlement, which includes a number of objective criteria, as to whether your claim merits relief and, if so, what relief will be offered to you.

33. Who will evaluate my claim?

The first evaluation will be conducted by trained individuals from Prudential's professional staff who have had no involvement in the sale of life insurance policies. Those persons will be monitored by state insurance regulators and the Claimant Representative (who is selected by lawyers representing the Class). Any claim not receiving the highest relief will receive a separate review by independent claim evaluators having no affiliation or connection to Prudential, and who will be approved by insurance regulators and lawyers representing the Class. Those independent claim evaluators will make recommendations to Prudential, and then Prudential will send you a decision regarding your claim.

34. What can I do if I am not satisfied with Prudential's decision and want a new review by an independent reviewer?

If you are not satisfied with Prudential's decision and want to have it reconsidered, you may ask that an independent decision-maker review your claim. The decision-maker's determination may result in an award of relief that is greater or less than the relief originally offered to you. The decision-maker will be selected by insurance regulators and lawyers representing the Class, from lists of persons satisfactory to insurance regulators, the lawyers representing the Class, Prudential and the Court, and will not be affiliated with Prudential in any way. This independent reviewer will not give any deference to the original decision made by Prudential; rather, the new reviewer will separately consider and review your claim based on the available evidence. In virtually all circumstances, the decision-maker's decision will be final and

will not be subject to further review, including review by any court.

35. Will I receive assistance with the review by the independent decision-maker?

Yes. A representative, selected by lawyers representing the Class and approved by state insurance regulators, will be available to you at no cost to you. This representative shall be a qualified professional familiar with the life insurance industry and/or alternative dispute resolution procedures. The representative will (i) assist you in preparing for the review process, and (ii) if requested by you, will appear in person or by telephone at the hearing to represent you. In lieu of a representative, you may, at your own expense, retain legal counsel of your own choosing to appear with and/or represent you at the hearing. You may also appear on your own behalf, without a representative.

36. Do I need to continue paying premiums on my policy while my claim is being evaluated?

Yes. In order to keep your policy in force, you must continue to pay premiums. However, the failure to keep your policy in force will not disqualify you from participation in the settlement if you are otherwise eligible.

Basic Claim Relief

37. What is Basic Claim Relief?

Basic Claim Relief provides relief options to policyholders who do not have to show that they were misled about the sale or operation of their policies. These relief options include: Optional Premium Loans, Enhanced Value Policies, Enhanced Value Annuities or a Mutual Fund Enhancement. Each of these relief options is described in greater detail below.

OPTIONAL PREMIUM LOANS

38. What is an Optional Premium Loan?

An Optional Premium Loan is a loan that Prudential is making available to policyholders, at a rate (reset quarterly) that is equivalent to Prudential's unsecured short-term cost of borrowing, for the purpose of making out-of-pocket premium payments. The rate may vary up or down depending on when the loan is taken and may also vary during the time the loan is outstanding. For example, in October, 1996, the Optional Premium Loan interest rate would have been 5.59%. These loans may be taken even if you also elect to purchase an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available). You may not receive an Optional Premium Loan if you elect to participate in the ADR Process.

39. What are the requirements to receive an Optional Premium Loan?

Your election form will indicate whether you are eligible for an Optional Premium Loan. To receive an Optional

Premium Loan, you must: (i) have a complete ownership interest in an active policy issued from January 1, 1982 through December 31, 1995, (ii) not elect to participate in the ADR Process with respect to this policy, and (iii) satisfy the following conditions:

(a) The policy must have, at the time the loan is made, a cash value equal to or greater than the sum of (i) any Optional Premium Loans outstanding, (ii) the amount of the Optional Premium Loan being requested, (iii) existing policy loans and other instruments outstanding, and (iv) one year's interest on the total of these obligations.

(b) The policy's cash value or death benefit has not been previously transferred or assigned and is maintained in amounts sufficient to serve as security for the obligations listed in sub-paragraph (a) above.

(c) You must agree to use the policy's dividends to purchase paid-up additional insurance for the entire period in which any Optional Premium Loans are outstanding and to repay each Optional Premium Loan in five annual payments,

Contact a member of the Claimant Support Team if you have any questions about these conditions.

40. How do I repay my Optional Premium Loan?

Each Optional Premium Loan must be repaid by the policyholder within five years from the date on which the loan is made. Each year you will be billed for an installment of one-fifth (1/5) of the amount of the original loan plus the interest on the outstanding balance.

41. What happens if I do not repay my loan?

If at the end of each year you have not repaid your required loan installment, it will be repaid by borrowing through a normal policy loan. The normal policy loan would bear interest at the rate stated in your policy. If there is an outstanding loan at the time of the death of the insured, the loan amount and outstanding interest will be deducted automatically from the death benefit of the policy.

42. Are there limits to the use of an Optional Premium Loan?

Yes. The Optional Premium Loan can only be used to pay the annual premiums on your Prudential permanent or whole life policy for which you elected the Optional Premium Loan. If you choose to obtain an Optional Premium Loan, you will be notified in writing as to the number of possible annual loans you may take. The number of possible annual loans will range between 2 and 6 depending on the year your policy was issued.

43. Are there tax consequences regarding an Optional Premium Loan?

While unlikely, there is some risk that the Optional Premium Loan could be considered below market rate loan for Federal income tax purposes. In such event, the difference between the Optional Premium Loan interest rate and a specified Federal short-term interest rate generally based on the average market yield of United States Treasury obligations with maturities of three years or less, if any, would reduce your cost basis for tax purposes in your policy, or result in taxable income in the event there is no remaining cost basis in your Policy. Your cost basis

in your policy is important because it determines what portion of distributions under the policy may be taxable. Moreover, as with any loan secured by your policy, an Optional Premium Loan may be wholly or partially taxable to you if your policy is a Modified Endowment Contract (as defined by the Internal Revenue Code) at the time you receive an Optional Premium Loan or, in some circumstances, if your policy becomes a Modified Endowment Contract following your receipt of an Optional Premium Loan. You may also be subject to a 10 percent penalty tax on the taxable amount. Please consult your tax advisor if your policy is a Modified Endowment Contract at the time you request any Optional Premium Loan, or if you consider making any material changes to your policy after you receive an Optional Premium Loan.

ENHANCED VALUE POLICY

44. What is an Enhanced Value Policy?

An Enhanced Value Policy is a new whole life insurance policy which you may purchase that Prudential will enhance by paying for additional insurance coverage. Prudential will buy you this additional life insurance coverage by spending:

- an amount equal to 50 percent of your first annual premium in the first year;
- an amount equal to 25 percent of your first annual premium in the third year;
- an amount equal to 25 percent of your first annual premium in the fifth year; and

- an amount equal to 15 percent of your first annual premium in the seventh year (Prudential's purchase of additional life insurance coverage in the seventh year will be available only if and when the Court approval of the Class action settlement is upheld on any appeal).

This means, for example, that if you buy an Enhanced Value Policy and the first annual premium on the policy is $500, Prudential will spend $250 in the first year, $125 in the third year, $125 in the fifth year, and $75 in the seventh year to purchase additional life insurance coverage for you.

This enhancement will increase the death benefit protection of this policy at no additional cost to you. In addition, your application for an Enhanced Value Policy will be evaluated according to liberalized underwriting requirements. The Policyholder and insured must be the same as on the policy for which you elect relief, and you are required to pay each year the scheduled premiums on any Enhanced Value Policy you purchase.

45. Am I eligible to apply for an Enhanced Value Policy?

You are eligible for an Enhanced Value Policy provided that you do not elect, with respect to each policy, to participate in the ADR Process or apply for an Enhanced Value Annuity or Mutual Fund Enhancement (when available), and so long as:

(a) You have an in-force policy with outstanding policy loans equal to or in excess of (i) three annual policy premiums and (ii) 75

percent of the policy's total cash surrender value; or

(b) Your policy has lapsed or has terminated without death benefits being paid.

46. How do I pay the premium on my Enhanced Value Policy?

You may choose any one of Prudential's standard premium payment modes – annual, semi-annual, quarterly or monthly. The enhancement payments will not be made to buy more life insurance coverage for your Enhanced Value Policy until you have paid an amount equal to the annual premium each year.

47. How much insurance can I buy with an Enhanced Value Policy?

You may purchase an Enhanced Value Policy equal to the face amount of your original policy, but generally not exceeding $1 million.

48. Will there be any underwriting prior to the issuing of my Enhanced Value Policy?

Yes. Prudential will ask you questions about your health and financial needs. Under certain circumstances you may also be asked to undergo some medical tests. However, the underwriting will be less rigorous than typically applied to the purchase of a new policy.

49. If I am in poor health will my Enhanced Value Policy be affected?

Possibly. Based on the medical information learned in the underwriting process, Prudential may issue your Enhanced Value Policy with an extra charge known as a

rating. It will be up to you to decide whether you wish to accept the insurance coverage and pay the additional premium or reject the Enhanced Value Policy.

50. What if I am found not to qualify for the Enhanced Value Policy or I decide not to accept the Enhanced Value Policy?

You would be issued a new election form to select a different form of relief if:

(a) you were found not to qualify under the underwriting guidelines for an Enhanced Value Policy;

(b) you were issued an Enhanced Value Policy with a rating and decide not to accept such insurance coverage; or

(c) you do not accept the Enhanced Value Policy within the review period required under applicable law.

ENHANCED VALUE ANNUITIES

51. What is an Enhanced Value Annuity?

An Enhanced Value Annuity is an annuity which you may purchase and which Prudential will "enhance" by a payment credited to the annuity at the end of the first and second contract years. This enhancement will increase the value of this annuity at no additional cost to you. Specifically, if you purchase an Enhanced Value Annuity and your initial payment was less than $25,000, Prudential will pay into the annuity an additional 2 percent of the initial payment. If your initial payment was between $25,000 and $50,000, Prudential will credit the annuity with a payment equal to 3 percent of the initial

payment. In either case, Prudential will pay into the Enhanced Value Annuity another 2 percent of the initial payment at the end of the second year. In addition, if the Court approval of the Class action settlement is upheld on appeal. Prudential will pay another 1 percent of the initial premium into the annuity at the end of the third year.

The Enhanced Value Annuity has several important features:

First, an Enhanced Value Annuity is a non-qualified annuity. This means that the annuity cannot be an individual retirement annuity (IRA) or part of a qualified plan. Consult your tax advisor for more information about IRAs or qualified retirement plans.

Second, an Enhanced Value Annuity is a deferred annuity. This means that the payments under the annuity would commence at a future date rather than immediately.

Third, there are limits to the amount of initial payment that will receive an enhancement under the Enhanced Value Annuity. You may not pay an aggregate amount for any Enhanced Value Annuity and/or Mutual Fund Enhancement greater than the maximum amount of initial payment set forth below:

If The Face Amount Of Your Original Policy Was:	The Maximum Amount Of Your Initial Payment Subject To Enhancement Is:
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

The minimum amount that you can pay for an Enhanced Value Annuity is $1,000. The maximum amount, subject to enhancement, will depend on the face amount of your original policy.

Fourth. Prudential will waive any applicable surrender charges on the initial payment and the enhancements made by the company after the later of the date (1) you reach age 59½, or (2) your Enhanced Value Annuity has been in force for at least four years.

Fifth, the owner and annuitant for the Enhanced Value Annuity must be the owner of the policy for which you elect relief, unless the owner is not an individual (e.g. a corporation or trust), in which event the owner and annuitant must be the insured on the policy.

52. Am I eligible to elect an Enhanced Value Annuity?
Yes. You may apply for one as long as you do not, with respect to each policy, participate in the ADR Process or apply for an Enhanced Value Policy.

MUTUAL FUND ENHANCEMENTS

53. What is the Mutual Fund Enhancement?

The Mutual Fund Enhancement provides you with an opportunity to purchase shares in certain mutual funds with Prudential contributing additional fund shares. You may make these purchases following receipt of a prospectus (or prospectuses), for the certain mutual funds distributed by Prudential Securities, Inc., a subsidiary of Prudential. The prospectus (or prospectuses) will

describe in detail the expenses, charges and risks associated with the mutual fund shares. The Mutual Fund Enhancement works as follows: For each purchase of these shares by the policyholder, Prudential will "enhance" the amount of the initial purchase with a financial contribution to purchase additional shares equal to 4% of the amount of such purchase. The mutual fund shares will be offered subject to a contingent deferred sales charge, as described in the relevant prospectus, that generally decreases to zero over a period of approximately six years. Your initial purchase of mutual fund shares must be no less than $1,000, or such other amount as set forth in the applicable prospectus, and the amount entitled to receive the enhancement is subject to the following limits:

Policyholder's Policy Face Amount	Maximum Policyholder Initial Purchase Amount Subject To Enhancement
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

You may not pay an aggregate amount for any Mutual Fund Enhancement and/or Enhanced Value Annuity greater than the applicable maximum policyholder initial purchase amount set forth above.

54. Am I eligible to elect a Mutual Fund Enhancement?

Yes. You may apply for a Mutual Fund Enhancement as long as you do not, with respect to your policy,

participate in the ADR Process or apply for an Enhanced Value Policy.

55. If I elect the Mutual Fund Enhancement, when will it become available?

You will be able to select the Mutual Fund Enhancement when electing Basic Claim Relief. However, you will have the opportunity to purchase the mutual fund shares only if and when the class action settlement is approved by the Court and upheld on appeal. If the class action settlement is rejected by the Court or not upheld on appeal, you will be notified that the Mutual Fund Enhancement will not be made available to you. In that case, if the Mutual Fund Enhancement were your only Basic Claim Relief selection, you may make another selection.

Payment and Eligibility for Basic Claim Relief

56. Can I use money in my existing policies to buy an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available)?

No. To obtain an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available), you must make the initial premium or payment with money that is not taken from an existing life insurance product issued by Prudential.

In addition, no money from a tax-qualified plan or product can be accepted as payment for an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available), and these cannot be issued on a tax-qualified basis.

57. What if it is determined that I am not eligible for the election that I have made?

Prudential will notify you if you are not eligible for the type of Basic Claim Relief you have elected, and you will be given an opportunity to complete a new election form.

The Claimant Support Team will be available to answer questions you may have about participation in the remediation program. Telephone representatives will be available to take your calls at 800-736-8913 (for Telecommunication Device for the Deaf, call 800-782-1863) 24 hours a day on weekdays (beginning Monday at 8 a.m.) and Saturdays from 9 a.m. to 3 p.m., your local time. Please do not contact the Clerk of the Court, or the Court where the Class Action is pending.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Docket Nos. 97-5155, 97-5156, 97-5193, 97-5217 and 97-5312

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION, Richard P. Krell, Elizabeth Bajek, Amanda Bajek, Helen Bartsch, Mark Ciconte, Raymond Dolce, Margaret Dolice, Louise Duggan, Peter Duggan, Charles Duncan, Mary Howe, Mary Krell, William Morris, Diana Racer, Thomas Racer, Gweneth Reidel, Terry Sligar, Alice Smith, Jerry Smith, William Walton, Richard E. Johnson, Carl D. Helton, Rodney Grady and Janet Grady, Appellants.	On Appeal From: The United States District Court For The District of New Jersey Sat Below: Hon. Alfred M. Wolin, U.S.D.J. Docket No. Below: Civil Action No. 95-4704(AMW) MDL No. 1061

APPELLEES' JOINT APPENDIX

(Logo) **Prudential**

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July 30, 1997

Via Federal Express

Melvyn I. Weiss, Esq.
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RE: Prudential Remediation Program – Election Form Receipts

Dear Mr. Weiss:

We wish to provide you with the information provided to state regulators concerning the number of Election Forms received on behalf of The Prudential Insurance Company of America in connection with its sales practices Remediation Program, including figures reflecting the total number of Election Forms received, further divided between those who elected Basic Claim Relief (BCR) and those who elected Alternative Dispute Resolution (ADR):

Total Election Forms Received:	1,596,263
Total ADR Elections Received:	1,103,914
Total BCR Elections Received:	492,349

Sincerely,

/s/ Deborah Bello-Monsco

A Division of the Prudential Insurance Company of America